

City of San Antonio
Economic Development Department



Tax Phase-In
and
Reinvestment Zones
Guidelines & Criteria

DECEMBER 2001



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CITY OF SAN ANTONIO GUIDELINES AND CRITERIA FOR TAX PHASE-IN AND REINVESTMENT ZONES

INTRODUCTION

The City of San Antonio's economic development primary goals are to stimulate job creation and promote the expansion and diversification of the local economic base. The City's Economic Development Department (EDD) has a number of programs designed to achieve the City's economic development goals and objectives. These programs serve the needs of various businesses targeted for attraction and expansion, and development projects that support targeted industries and other community revitalization initiatives. Targeted industries for San Antonio are aviation/aerospace, bio-science/bio-technology, telecommunications, information technology/high technology and logistics/transportation. Other projects that the City focuses on to promote economic development include manufacturing, research and development, corporate & regional level headquarters, defense-related operations, regional entertainment facilities, convention-center hotels and central-city multi-family housing developments.

The Tax Phase-In Program is an economic development tool designed to:

- (1) Promote local business expansion;
- (2) Attract new businesses to San Antonio in targeted industries;
- (3) Encourage development in targeted areas of the community;
- (4) Create high-skill, high-wage job opportunities; and
- (5) Assist the City in achieving its overall economic development strategy.

SECTION 1. ELIGIBILITY CRITERIA /BASIC RULES

1. The City can only enter into a tax abatement agreement with the owner of taxable real property, unless otherwise specified.
 - a) Reinvestment Zones. The area in which the company will locate must be designated a reinvestment zone. An application for a phase-in is also an application for the creation of a reinvestment zone, if the area is not already so designated. Texas Enterprise Zones, the City's federal enterprise community and Defense Economic Readjustment Zones are designated reinvestment zones. Appendix Five outlines the process for reinvestment zone designation.
 - b) Leased Facilities. If a leased facility is involved, the City must execute the agreement with the lessor (i.e. the owner of taxable real property). **In such**

cases, the lessor shall demonstrate a binding contract with the lessee to guarantee job creation. Said contract shall be included in the tax phase-in agreement. The lessor must demonstrate that the savings incurred by tax phase-in will be passed to the lessee in the lease rate and services.

2. Phase-in is authorized for businesses in the following targeted industries: Aviation/Aerospace; Bio-Science/Bio-Technology; Telecommunications; Information Technology/High Technology; and Transportation/Logistics. On a case-by-case basis, the City will also consider a phase-in for “other businesses,” such as regional tourist entertainment facilities.

a) Authorized Facilities: A project may be eligible for phase-in if the facility is used for manufacturing/assembly, research and development, information technology/high technology, regional distribution, regional tourist entertainment, aviation/aerospace, Central City mixed-use multi-family housing, telecommunications, corporate level headquarters, or for information/business services. Retail and wholesale facilities are not authorized facilities.

b) Defense Related Facilities: Projects associated with the development or redevelopment of federal military installations affected by realignment, closure, downsizing or transfer to the City will also be eligible for tax phase-in.

c) New and Existing Facilities. Phase-in may be granted for new facilities and improvements to existing facilities for purposes of modernization or expansion.

d) Hotel Projects. Hotel projects must fall into one of the following categories to be eligible for tax phase-in:

1. Convention Headquarters Hotel.

2. Full-service hotels located in a state-designated Enterprise Zone, Defense Economic Readjustment Zone, OR in the City’s Federal Enterprise Community.

3. Resort hotels located anywhere within the city limits of San Antonio.

4. Limited service hotels are not eligible projects.

3. Central City Multi-Family Housing: The City will consider tax phase-in on Central City mixed-use, multi-family housing projects in the Community Revitalization Action Group (CRAG) 2000 Target Area and in commercial corridors targeted for revitalization (e.g., neighborhood commercial revitalization designated areas). The CRAG 2000 Target Area is defined within the following street boundaries: Hildebrand (North), Division (South); Rio Grande (East), and 24th Street (West). The housing component should constitute at least 75 percent of a mixed-use project. The City expects to increase and improve housing stock in targeted areas that will result in attracting business investment to the inner city.
4. “Wage Standard” City policy requires companies applying for phase-in to pay all new employees at a wage standard defined below. The applicable wage standard depends upon whether a business is classified as a durable or non-durable activity and applies after the completion of a one-year Skills Development Period.
 - a) Skills Development Period. Companies will have a maximum of one (1) year to meet the wage standard. The one-year Skills Development Period affords companies the opportunity to complete specialized training requirements and/or employee probationary periods. During the Skills Development Period and throughout the period of the Agreement, a company must also pay a minimum wage of \$8.25/hour to 100% of all new permanent, full-time employees. This minimum wage of \$8.25/hour is consistent with the minimum wage that applies to employees of the City of San Antonio.
 - b) “Average Hourly Earnings for Durable Goods” is the wage standard for durable goods manufacturing in the San Antonio Metropolitan Statistical Area determined by the most recent annual figure published by the Bureau of Labor Statistics at the time the tax phase-in agreement is executed (\$10.51 per hour as of March 2001).
 - c) “Average Hourly Earnings for Non-Durable Goods” is the wage standard for all non-durable goods manufacturing in the San Antonio Metropolitan Statistical Area determined by the most recent annual figure published by the Bureau of Labor Statistics at the time the tax phase-in agreement is executed (\$9.77 per hour as of March 2001). This standard also applies to service companies such as aviation/aerospace, telecommunications, corporate-level headquarters, information technology/high technology, business services, research and development, warehousing/distribution, hotel projects, and defense-related operations.

5. Edwards Aquifer Recharge Zone Protection: The City of San Antonio requires responsible development and does not allow development over the Edwards Aquifer Recharge Zone that would constitute a detriment to this limited natural resource. The City will only consider tax phase-in projects that demonstrate a greater protection effort than the most stringent regulations currently in place. Applicants must also demonstrate that the project will be developed in a manner that greatly enhances water quality protection by exceeding the City standards for pollution prevention. Projects involving development over the Edwards Aquifer Recharge Zone which are for industrial or other heavy use (i.e. projects that are highly hazardous, environmentally severe in character and/or generate very high volumes of truck traffic) will not be eligible for a tax phase-in. All phase-in applications will be forwarded by City staff to the San Antonio Water System Water Source and Watershed Protection Department for certification of compliance and a recommendation to City Council. City Council will then consider such applications for approval on a case-by-case basis.

Any entity receiving a tax phase-in will be required to comply with all federal, state, and local laws. Furthermore, any facility located over the Edward's Aquifer Recharge Zone will be required to adhere to all regulations and requirements necessary for construction of any facility or other real property improvement including but not limited to the following:

1. Maximum Impervious Cover for the Pollution Prevention Criteria Categories*
1, 2, and 3 are thirty (30%), thirty (30%) and fifteen (15%) respectively.
 - a) CATEGORY ONE: Any property prior to effective date of the Division (January 23, 1995) having a valid permit as defined in Section 481.142 of the Texas Government Code. Shall include but not limited to:
 - POADP'S (Prior to December 22, 1994): or
 - A plat or Plat application (Prior to September 8, 1994)
 - b) CATEGORY TWO
 - Not in Category One
 - Within the corporate limits of the City of San Antonio
 - Restrictions to regulated activity for Category Two
 - c) CATEGORY THREE
 - Not in Category 1 or 2

- Within the ETJ of the City of San Antonio and within the Edwards Aquifer Recharge Zone¹

2. To the maximum extent possible, green space should be utilized for buffering floodplains and significant recharge features.

- a) Significant recharge features as defined by the TNRCC in the Aquifer Recharge Zone and Watershed Protection Ordinance.

3. A minimum green space buffer around floodplains of 60 feet or greater in width, base on slope, with an average project buffer of 100 feet.

4. Strict compliance with the City's "Technical Guidance Manual for Storm Water Management and Edwards Aquifer Recharge Zone Protection" and the Texas Natural Resource Conservation Commission's "Technical Guidance Manual on Best Management Practices."

5. In addition to the requirements listed above, an applicant for a Tax Incentive Agreement may submit a proposal to provide title to or place Conservation Easements on Real Property that contains sensitive recharge features or that encompasses sensitive recharge areas to off-set against the potential degradation caused by the development. This may be used at any time at the election of the applicant to make the application for the Tax Phase-In Agreement more acceptable with regard to environment protection or maybe used by the applicant in the event that, due to unique property characteristics or conditions certain and impervious limitations distance of buffers, or other specific items of compliance are not obtainable in order to qualify for the Tax Incentive Agreement. In the event an applicant uses the contribution, donation or conservation easement on property² other than the property subject to the development requesting qualification for the Tax Incentive Agreement, the approval for such project may be coordinated with SAWS and approved on a case-by-case basis by the San Antonio City Council

During the term of the phase-in, the recipient will permit the City and its agents and/or representatives access to the property to conduct on-site inspections to ensure satisfactory compliance with the regulations.

If it is found that the phase-in recipient is not in strict compliance with the regulations and laws governing the Edwards Aquifer Recharge Zone, the City

¹ The proposed restrictions on impervious cover will be the maximum allowable for consideration of a tax phase-in.

² The property must be located within the recharge zone

will notify the company or individual in writing at the address stated in the agreement, and if such violation is not cured within 30 days from the date stated on such notice, or during the period of time for such cure provided for by the particular enforcement agency (including but not limited to San Antonio Water System, Texas Natural Resources and Conservation Commission, or Environmental Protection Agency), the agreement may be terminated immediately. All taxes previously phased-in pursuant to the agreement will be recaptured and paid within 60 days of termination.

6. Phase-in Term Lengths: Based on a company's proposed location, the term of the phase-in can be either a maximum of six or ten years. The six-year term applies to projects located North of Highway 90/I-10 and outside of Loop 410. The ten-year term applies inside of Loop 410 and all areas South of Highway 90/I-10. See term length map at Appendix Eight.
7. Community Involvement: The City expects companies applying for a phase-in to demonstrate a good faith effort to participate in community involvement programs, such as the San Antonio Education Partnership, Project Quest, youth workforce development, dedication or protection of open space by fee or conservation easement, and like programs. Although not a specific prerequisite, the level of community involvement will be evaluated and considered in deciding the specific percentage and term of abatement. Applicants are also encouraged to work with the Alamo Workforce Development Council, Texas Workforce Commission, and other employment entities to employ at least 25% of new jobs with individuals who are economically disadvantaged.
8. Health Insurance: A company must have a health plan for its employees which is also accessible to the employee's dependents.

SECTION 2. REAL PROPERTY PHASE-IN

1. The City will consider a phase-in on real property (i.e., land and improvements excluding acquisition costs and existing improvements) for targeted industries/businesses (Table 1), "other businesses" (Table 2), hotel projects (Table 3), and for Central City multi-family housing projects (Table 4).
 - a) Creation of New Value. Phase-in may only be granted for the additional value of eligible real property improvements subject to such limitations as the City of San Antonio may require.

- b) Eligible Property. Property eligible for tax phase-in includes the value of improvements added after the base year value of the following: real property, buildings, structures, fixed machinery and equipment, site improvements plus office space and related fixed improvements necessary to the operation and administration of the facility.
2. The percent of tax phase-in for new real property tax phase-in for Targeted Businesses/Industries is as follows:

TABLE 1
REAL PROPERTY
TAX PHASE-IN FOR TARGETED INDUSTRIES

<u>Eligibility Threshold</u>	% New Jobs \geq Wage Standard (Following the One-Year Skills Development Period)	% Tax Phase-In (up to)
Capital Cost of the Project Improvements* (in millions) Jobs**		
\$1.0+ or 26+	70%	100%

*Excluding acquisition costs and existing improvements.

**New permanent full-time jobs created and sustained in each year of tax phase-in.

3. The percent of tax phase-in for new real property tax phase-in for "Other Businesses" is as follows:

TABLE 2
REAL PROPERTY
TAX PHASE-IN FOR OTHER BUSINESSES

<u>Eligibility Threshold</u>	% New Jobs \geq Wage Standard (Following the One-Year Skills Development Period)	% Tax Phase-In (up to)	Bonus***
Capital Cost of the Project Improvements* (in millions) Jobs**			
\$1.0+ or 26+	70%	75%	25%

***Excluding acquisition costs and existing improvements.**

****New permanent full-time jobs created and sustained in each year of tax phase-in.**

*****An additional 25% of tax phase-in (up to the maximum of 100%) can be earned if the applicant fills 25% of new jobs created with economically disadvantaged individuals or individuals who reside in the City's Federal Enterprise Community or a State Enterprise/Defense Zone.**

4. The percent of tax phase-in for new real property tax phase-in for Hotel Projects is as follows:

**TABLE 3
REAL PROPERTY
TAX PHASE-IN FOR HOTEL PROJECTS**

<u>Eligibility Threshold</u>		% New Jobs \geq Wage Standard** (Following the One-Year Skills Development Period)	% Tax Phase-In (up to)	Bonus** *
Capital Cost of the Project Improvements* Time (in millions) Equivalent Jobs	Full			
\$100 + <i>and</i> 450+		70%	50%	25%

*** Excluding acquisition costs and existing improvements.**

**** Minimum wage of \$8.25 /hour for all new employees during the one-year Skills**

Development Period and throughout the period of the Agreement

***** An additional 25% of tax phase-in (up to the maximum of 75%) can be earned if the applicant fills 25% of new jobs created with economically disadvantaged individuals or individuals who reside in the City's Federal Enterprise Community or a State Enterprise/Defense Zone.**

5. The City will consider tax phase-in on Central City mixed-use, multi-family housing projects as follows:

TABLE 4
REAL PROPERTY
TAX PHASE-IN FOR CENTRAL CITY HOUSING*

<u>Targeted Levels of Investment</u>	Term	% Tax Phase-In (up to)
Adaptive Reuse of Existing Facilities** \$500,000	Up to 10 Years	100%
New Construction \$1,000,000		

*** Job creation threshold does not apply; personal property is not eligible for phase-in.**

****The amount eligible for adaptive reuse phase-in is the full value of the new facility.**

SECTION 3: PERSONAL PROPERTY CRITERIA

1. Phase-in may also be extended to include taxes on tangible personal property (other than inventory and supplies) located on the real property. Tangible personal property may be eligible for phase-in as indicated in the following Tables 5 and 6.

TABLE 5
PERSONAL PROPERTY
TAX PHASE-IN FOR TARGETED BUSINESSES/INDUSTRIES

<u>Eligibility Threshold</u>	% New Jobs \geq Wage Standard (Following the One-Year Skills Development Period)	% Tax Phase- In (up to)
Investment (in millions) Jobs*		
\$10+ <i>and</i> 50+	70%	100%

*New permanent full-time jobs created and sustained in each year of tax phase-in.

TABLE 6
PERSONAL PROPERTY
TAX PHASE-IN FOR OTHER BUSINESSES

<u>Eligibility Threshold</u>	% New Jobs \geq Wage Standard (Following the One-Year Skills Development Period)	% Tax Phase-In (up to)
Investment (in millions) Jobs*		
\$30+ <i>and</i> 100+	70%	75%

*New permanent full-time jobs created and sustained in each year of tax phase-in.

To encourage the retention of local businesses, a one-time application per company for phase-in of tangible personal property may also be eligible provided that: (1) total project costs are greater than \$50 million dollars; (2) the value of the personal property was not phased-in due to a previous tax phase-in agreement; and (3) the investment will modernize or upgrade facilities or equipment to assist the company in remaining competitive, so long as existing jobs are retained and not replaced as a result of the new investment.

If a modernization project includes machinery/equipment replacement, the phased-in value shall be the market value of the new unit(s) less the market value (not depreciated value) of the old unit(s). The percent of the value to be phased-in is 80% and the term will be a maximum of six (6) years. For example, if a piece of equipment is valued at \$3 million and is being replaced by a piece of equipment worth \$10 million, then the difference between the two is \$7 million. Should a company decide to apply for phase-in on the new piece of equipment (provided that the personal property eligibility criteria are met), \$7 million is the value that would be used to determine the amount to be phased-in.

APPENDIX ONE LEGAL CRITERIA

1. Per Section 312 of the State Property Redevelopment and Tax Abatement Act (“Tax Abatement Act”), the City can only enter into a tax abatement agreement with the owner of taxable real property, unless otherwise specified.
2. Under the Authority of the Tax Abatement Act (Section 312 et. seq. Texas Tax Code), the City of San Antonio is eligible to enter into tax abatement agreements with property owners in an area designated a Reinvestment Zone in order to exempt from taxes all or part of the increased value in the property on the condition that the owner makes specified improvements.
3. The area in which the company will locate must be designated as a reinvestment zone in order for a tax phase-in to be granted. An application for tax phase-in is also an application for the creation of a reinvestment zone. When Enterprise Zones or Defense Economic Readjustment Zones are created, they are automatically designated reinvestment zones.
4. To be designated as a reinvestment zone, an area must meet one of the following criteria per Section 312.202 of the Tax Abatement Act:
 - a) be reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the city or town;
 - b) substantially arrest or impair the sound growth of a city or town, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use by reason of the presence of a substantial number of substandard, slum, deteriorated, or deteriorating structures; predominance of defective or inadequate sidewalk or street layout; faulty lot layout in relation to size accessibility, or usefulness; unsanitary or unsafe condition; deterioration of site or other improvements; tax or special assessment delinquency exceeding the fair value of the land; defective or unusual conditions of title; the existence of conditions that endanger life or property by fire or other cause; or any combination of these factors or conditions;

- c) be predominantly open and, because of obsolete platting or deterioration of structures or site improvements or other factors, substantially impair or arrest the sound growth of the city or town;
- d) be in a federally assisted new community located within a home-rule city or in an area immediately adjacent to the federally assisted new community;
- e) be located entirely within an area which meets the requirements for federal assistance under Section 119 of the Housing and Community Development Act of 1974;
- f) encompass signs, billboards and other outdoor advertising structures designated by the governing body of the incorporated city or town for relocation, reconstruction, or removal for the purpose of enhancing the physical environment of the city or town, which the legislature hereby declares to be a public purpose.
- g) be reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the city or town;

APPENDIX TWO

PHASE-IN TERMS AND CONDITIONS

1. Valuation of Phase-In. Phase-in shall be granted on a case-by-case basis effective with the January 1st valuation date immediately preceding the date of the execution of the agreement or other January 1st valuation date(s) as may be agreed to by the City. In the following examples, when the words “value of new facility” or “value of facility being replaced” appear, they are referring to the value of real property improvements only.

Facility Replacement. If a modernization project includes facility replacement, the phase-in value shall be the value of the new unit(s) less the value of the old unit(s).

EXAMPLE: \$20 million	Value of new facility
<u>- 4 million</u>	Value of facility being replaced
\$16 million	Amount to be phased in on new facility

Relocation From One Leased Facility To Another. If a company is relocating from one leased facility to another and the value of the vacant facility decreases (as determined by the Bexar Appraisal District) as a result of the company relocation, then the phase-in value shall be the value of the new facility less the decrease in value of the vacated facility.

EXAMPLE: \$10 million	Value of existing facility (occupied)
<u>-6 million</u>	Value of existing facility (vacated)
\$ 4 million	Difference or decrease in value of vacated facility

\$30 million	Value of new facility
<u>- 4 million</u>	Decrease in value of vacated facility
\$26 million	Amount to be phased in on new facility

2. Skills Development Fund. The City will place the balance, if any, of unabated real and personal property taxes into a Skills Development Fund for the entire term of the abatement. This fund will be used to improve education and job training and raise the skills of the work force.
3. Economic Qualification. In order to be eligible for designation as a reinvestment zone and to receive a tax phase-in, the planned improvement:

- a) Must be reasonably expected to increase the appraised value of the improved property OR must be expected to increase employment based on the number of permanent jobs created and sustained in each year of the phase-in;
 - b) Should not be expected to solely or primarily have the effect of merely transferring existing employment from one part of Bexar County to another without demonstration of increased future investment (dollars or jobs) or unusual circumstances whereby without such a move employment is likely to be reduced;
 - c) Must be necessary because capacity or other relevant factors prohibit a local company from expanding facilities and creating new, additional jobs at a company's current location.
4. Taxability. From the execution of the phase-in to the end of the agreement period, taxes shall be payable as follows:
- a) The Base Year Value of existing eligible property as determined each year shall be fully taxable; and
 - b) The additional value of new eligible property shall be taxable in the manner described in Section 2.

APPENDIX THREE DEFINITIONS

- a) “Abatement” or “Phase-In” means the full or partial exemption from ad valorem taxes of certain new real property improvements and/or personal property investment in a reinvestment zone project.
- b) “Agreement” means the phase-in contract signed by the City and the applicant(s) that spells out the terms and conditions of the City Council approved phase-in.
- c) “Aviation/Aerospace Industry Facility” means buildings and structures including fixed machinery and equipment used or to be used in the operation, maintenance, modification, service, research and development, manufacture, and storage of aircraft or aircraft parts or the sale of aircraft or aircraft parts.
- d) “Base Year Value” means the assessed value of eligible real property (land and improvements) on January 1st preceding the execution of the agreement plus the agreed upon value of eligible real property improvements made after January 1st, but before the execution of the agreement.
- e) “Bio-science/Bio-technology Research Facility” means buildings and structures, including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production process thereto; may include medical and pharmaceutical products.
- f) “Convention Center Hotel” is a hotel that is attached to a convention center or is within 1,500 feet of the existing Henry B. Gonzalez Convention Center facility and/or the Alamodome and has meeting and banquet space to accommodate conventions. This type of property is also commonly referred to as a “headquarters” hotel and has more than 750 sleeping rooms.
- g) “Defense Economic Readjustment Zones” is a State program that offers incentives to companies locating their businesses in areas adversely impacted by defense downsizing or base closure/realignment. The City has two designated defense zones encompassing KellyUSA and portions of Brooks Air Force Base (see map at Appendix Nine). Defense Zone projects designated by the State are eligible for state sales and use tax refunds and franchise tax reductions based on job creation/retention and capital investment. The maximum refund for state sales and use taxes is \$250,000 over a five-year period.

- h) “Economically Disadvantaged Individual” is an individual who was unemployed for at least three (3) months prior to obtaining employment with the tax phase-in project; or receives public assistance benefits; or someone whose total family income meets very low, low, or moderate income limits.
- i) “Enterprise Zones”: A State program that offers incentives to companies expanding or locating their businesses in economically distressed areas of the community. The City has four such zones (see map at Appendix Nine). Enterprise projects designated by the State are eligible for state sales and use tax refunds and franchise tax reductions based on job creation/retention and capital investment. The maximum refund for state sales and use taxes is \$250,000 over a five-year period.
- j) “Full-Service Hotel” is a hotel designation indicating a full line of services, which include bellhop service, concierge, food and beverage service, room service, meeting and function space. This type of property usually exceeds 300 rooms.
- k) “Information Technology/High Technology Facilities” means buildings and structures, including fixed machinery and equipment, used in the manufacturing of computer equipment, related equipment, pharmaceutical, or communications equipment and other high-technology related products such as the manufacturing of microchips and electronic equipment. This also includes information technology facilities engaged in providing products and services such as computer programming, software packaging, integrated systems design, computer processing and data preparation, and computer hardware devices.
- l) “Intangible Personal Property” means nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment. Intangible personal property is not eligible for tax phase-in.
- m) “Limited Service Hotel” is a term traditionally applied to those budget or economy operations which offer basic services with few, if any, special amenities. Generally there is no restaurant, no room service, and limited or no meeting space and banquet services.
- n) “Manufacturing Facility” means building and structures, including fixed machinery and equipment, used or to be used for the mechanical or chemical transformation of materials or substances into new products. Establishments

engaged in assembling component parts of manufactured products are also considered manufacturing.

- o) “Minimum Wage Standard” is \$8.25 per hour for all new employees both during the Skills Development Period and throughout the Agreement. This wage is based on the minimum wage paid to all City employees.
- p) “Modernization” means the replacement and upgrading of existing facilities which increases the productive input or output, updates the technology, or substantially lowers the unit cost of operation. Modernization may result from the construction, alteration, installation of buildings, structures, and fixed machinery or equipment. It shall not be for the purpose of remodeling or repairing.
- q) “Other Businesses” are all businesses not defined as a targeted business or in a targeted industry including, but not limited to, regional tourist entertainment facilities and hotels.
- r) “Real Property” means land and any improvements there to.
- s) “Regional Distribution Facility” means buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service, or distribute goods or materials, where a majority of the goods or services are distributed to points at least 50 miles beyond the San Antonio city limits.
- t) “Regional Tourist Entertainment Facility” means buildings and structures, including fixed machinery and equipment, used or to be used in providing amusement and/or entertainment through the admission of the general public, where the majority of users reside at least 100 miles from Bexar County and where the majority of users are likely to stay in the City for more than one day and will therefore likely utilize local restaurants and hotel/motel accommodations. To be classified as a Regional Tourist Entertainment Facility, a minimum of \$10 million in real property improvements must be invested.
- u) “Research Facility” means buildings and structures, including fixed machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production process thereto.

- v) “Resort Hotel” is a property, generally located in or around a tourist destination, which emphasizes outdoor recreational facilities and other leisure time activities. Generally, a resort is an end destination which offers full-service accommodations. Meeting space is required.
- w) “Retail/Wholesale Facilities” means buildings and structures, including fixed machinery and equipment, used or to be used for the direct sale of commodities, goods and services primarily to ultimate consumers.
- x) “Skills Development Period” means the one-year period that affords companies the opportunity to complete specialized training requirements and/or employee probationary periods.
- y) “Tangible Personal Property” means identifiable portable objects than can be seen, weighed, measured, felt, or otherwise perceived by the senses. Tangible personal property usually includes machinery, equipment, furniture, and fixtures.
- z) “Targeted Businesses” are primarily those businesses in targeted industries that demonstrate the potential for producing or expanding high-wage job opportunities, diversifying the local economy, supporting the City’s Economic Development Strategy, and expanding the tax base.

APPENDIX FOUR APPLICATION PROCESS

Any present or potential owner of taxable property in the City of San Antonio may request the creation of a reinvestment zone and/or tax phase-in by filing an Application for Tax Phase-In with the Director of the Economic Development Department (EDD).

The Tax Phase-In Application Fee will be determined by the following schedule:

<u>APPLICATION FEE SCHEDULE</u>	
<u>Business Size*</u>	<u>Fee</u>
Micro (0 - 19 employees)	\$0
Small (20 - 99 employees)	\$500
Medium (100 - 499 employees)	\$1,000
	\$1,500
<small>*As defined by the Texas Comptroller of Public Accounts</small>	

1. Applications must be submitted at least 30 calendar days prior to commencement of construction.
2. The application shall consist of a completed application form accompanied by:
(1) a general description of the new improvements to be undertaken; (2) a descriptive list of the improvements for which phase-in is requested; (3) a list of the kind, number, and location of all proposed improvements of the property; (4) a map, property description, and field notes; (5) a time schedule for undertaking and completing the proposed improvements; (6) a list of the types and number of jobs being created as well as detailed wage and salary information; and (7) a list of employee benefits. In the case of modernization, a statement of the assessed value of the facility, separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other

information as the City deems appropriate for evaluating the financial capacity and other factors of the applicant.

3. Upon receipt of the completed application, EDD shall notify in writing the presiding officer (and the appropriate taxing entity representative) of the governing body of each eligible jurisdiction.
4. The completed application will also be forwarded to appropriate City departments for review and recommendations. Applications for phase-in projects over the Recharge Zone will also be forwarded to the San Antonio Water System, as well as to other applicable regulatory agencies, for review and recommendation.
5. Final recommendations will be reviewed by the City Manager.
6. Upon approval by the City Manager, consideration of the tax phase-in application and reinvestment zone designation will be presented to the City Council.
7. Variance. Requests for variance from the provisions of these guidelines may be made in written form to the Director of the Economic Development Department (EDD). Such request shall include a complete description of the circumstances explaining why the applicant should be granted a variance. Approval of a request for variance requires a public hearing and must be approved by a three-fourths (3/4) vote of the City Council.
8. A cost-benefit analysis relevant to the City of San Antonio must be completed by the City's Economic Development Department prior to any action on the phase-in application. The City may not enter into a tax phase-in agreement if the analysis shows that the costs exceed the benefits. The cost benefit analysis must include, but is not limited to, the following:
 - a) an estimate of abated ad valorem taxes from the property covered by the agreement during the term of the agreement;
 - b) the impact of the agreement on the City's ability to provide services;
 - c) an estimate of the number of jobs to be created or retained by the property owner in the city limits during the term of the agreement;

- d) an estimate of the payroll of jobs created or retained by the property owner in the city limits during the term of the agreement;
- e) an estimate of the amount of any capital investments to be made by the property owner in the city limits during the term of the agreement; and
- f) an estimate of the timing of any capital investments to be made by the property owner in the city limits during the term of the agreement.

APPENDIX FIVE
PUBLIC HEARING AND APPROVAL PROCESS

1. By State law, the governing body of the City may not adopt an ordinance, or a county a resolution, designating a Reinvestment Zone until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. Notice of the hearing shall be clearly posted or identified on the City Council Agenda at least 7 days prior to the hearing and published in a local newspaper. The presiding officers of eligible jurisdictions shall be notified in writing at least 7 days prior to the hearing.
2. Prior to entering into a Tax Phase-in Agreement, the City of San Antonio shall hold a public hearing at which interested persons shall be entitled to speak and present written materials for or against the approval of the Agreement. Notice of the hearing shall be clearly posted or identified on the City Council Agenda at least 7 days prior to the hearing and published in a local newspaper. The presiding officers of eligible jurisdictions shall be notified in writing at least 7 days prior to the hearing.
3. In order to enter into a tax phase-in agreement, the City of San Antonio must find that the terms of the proposed agreement meet these Guidelines and Criteria and that:
 - a) there will be no substantial long-term adverse effect on the provision of the City's services or tax base; and
 - b) the planned use of the property will not constitute a hazard to public safety, health or morals. As a matter of policy, the City Council explicitly states that tax phase-in is not applicable to projects wherein the primary purpose of the business is serving alcoholic beverages or where nudity is involved.
3. If City Council approves the tax phase-in application by resolution or ordinance, City staff shall execute an Agreement with the owner of the facility. That Agreement shall include:
 - a) the estimated value to be phased-in and the Base Year value;
 - b) the language that will "freeze" the levy such that taxes collected on existing land and improvement values will not be less than that paid in the Base Year;
 - c) the commencement date and the termination date of Phase-in;
 - d) the proposed use of the facility, nature of construction, time schedule, map, property description and improvement list as provided in the Application for Tax Phase-In;

- e) any contractual obligations in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment, or other provisions that may be required for uniformity of State law;
- f) a provision that includes a completion of construction date for the project which will be negotiated between the parties of the agreement;
- g) the amount of minimum investment and specific minimum number of new jobs to be created; and
- h) the percent of taxes to be phased-in.

Such agreement shall normally be executed within 60 days after the applicant has forwarded all necessary information and documentation to the City's Economic Development Department (EDD).

APPENDIX SIX

CERTIFICATION AND RECAPTURE

ANNUAL CERTIFICATION:

1. Owner will be required to provide the City with an annual certification from a local officer of the company. This certification letter will detail the cost of all new real and personal improvements made, along with their total dollar expenditure. This written certification will be necessary until the improvements are completed as indicated by the Certificate of Occupancy. A written statement shall also be submitted bi-annually which will include the total number of new permanent, full-time jobs created and sustained, along with their respective salaries or wages. The information on salaries or wages will not include the names of the employees or officers of the company. In addition, the statement will include detailed information on the wages paid by the applicant to new employees resulting from the Phase-in project, exclusive of relocated employees, to determine if the company is meeting the prescribed wage standard. Owner also will provide information regarding the number of Economically Disadvantaged Individuals hired by the company in the new jobs created.
2. The City will conduct a minimum of one site visit annually for the purpose of completing a monitoring report. The annual site visit by City staff will reinforce accountability and afford an opportunity to build relationships with Owners receiving abatements. Owner will allow the City access to owner's books and records that contain information necessary to determine if owner is in compliance with the agreement. The City's access to the owner's books and records will be specifically limited to information pertaining to the improvements and/or jobs that have been created as required under the agreement. Should any dispute or question arise as to the validity of the data provided, the City shall reserve the right to require the Owner to obtain an independent firm to verify the information. This independent statement will be provided at the sole cost of the property owner.

RECAPTURE

1. In the event that the facility is completed and begins producing a product or service, but subsequently discontinues producing a product or service for any reason (excepting fire, explosion or other casualty or accident or natural disaster or other event beyond the reasonable control of the company) for a period of one year during the Phase-in period, then the Agreement shall terminate and so shall the Phase-in of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise phased-in for that calendar year shall be paid to the City of San Antonio within 60 days from the date of termination.
2. Should the City of San Antonio determine that the company or individual is in default according to the terms and conditions of the Agreement, the City of San

Antonio shall notify the company or individual in writing at the address stated in the Agreement, and if such is not cured within 60 days from the date of such notice ("Cure Period"), then the Agreement may be terminated.

3. In the event that the company or individual (1) allows its ad valorem taxes owed to the City of San Antonio to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (2) violates any of the terms and conditions of the Phase-in Agreement and fails to cure during the Cure Period provided for in the Agreement, or (3) is in default with any other City sponsored program, the Agreement then may be terminated and all taxes previously phased-in by virtue of the Agreement will be recaptured and paid within 60 days of termination.
4. In the event that the company or individual, during the Phase-in period or after the agreed upon Phase-in period ends, decides to relocate the company to a location outside of the designated Reinvestment Zone, the City of San Antonio, by an Ordinance adopted by City Council, shall have the right to recapture a percentage of phased-in taxes based on the following table:

YEAR (10-Year Phase-In Period)	TOTAL TAXES PREVIOUSLY PHASED-IN SHALL BE MULTIPLIED BY
1 - 11	100%
12	80%
13	60%
14	40%
15	20%
16	10%

FORMULA: The Relocation Formula shall be:

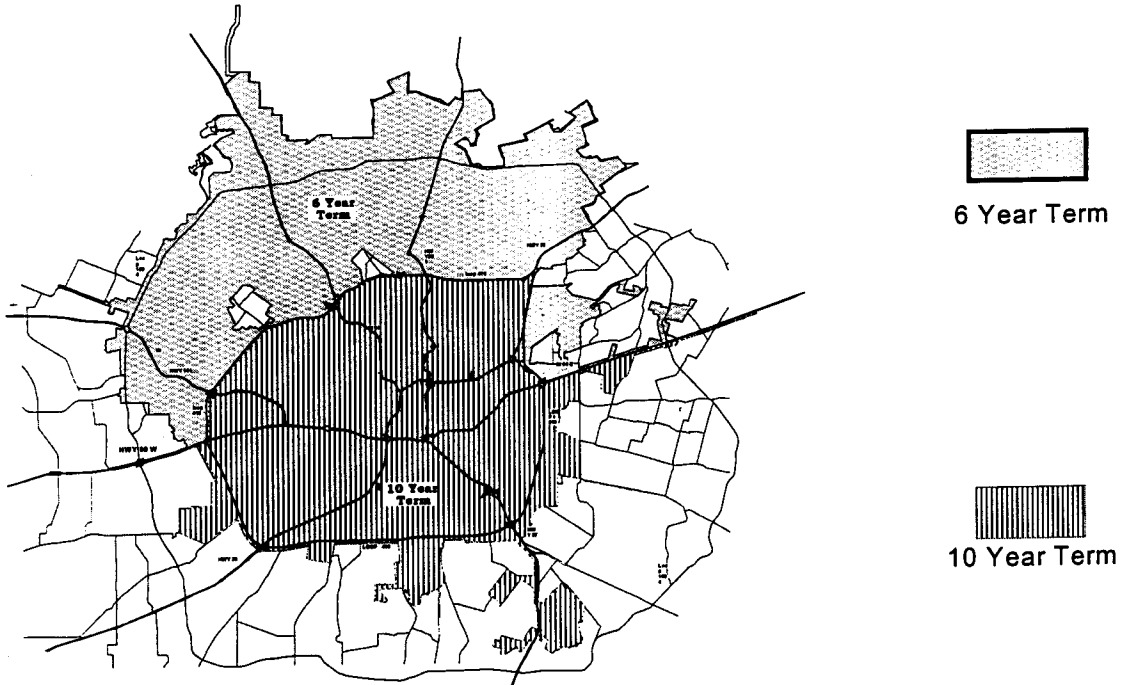
Total taxes phased-in Amount to be in each phase-in year	X	Applicable percentage from above table	=	Recaptured
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APPENDIX SEVEN ADMINISTRATION

1. The Chief Appraiser of the Bexar Appraisal District shall annually determine an assessment of the real and personal property comprising the Reinvestment Zone. Each year, the company or individual receiving Phase-in shall furnish the Chief Appraiser with such information as may be necessary for the phase-in. Once value has been established, the Chief Appraiser shall notify the affected jurisdictions which levy taxes of the amount of the assessment.
2. The Agreement shall stipulate the employees and/or designated representatives of the City of San Antonio will have access to the Reinvestment Zone property and improvements during the term of the Phase-in to inspect the facility to determine if the terms and conditions of the Agreement are being met. All inspections will be made only after the giving of a 24-hour prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility.
3. Upon completion of construction, the City Manager or the City Manager's designee may evaluate each facility receiving Phase-in to ensure compliance with the Agreement and report possible violations of the Agreement to the City Attorney.
4. Tax Phase-in Agreements may be assigned to a new owner only with City Council approval.
5. These Guidelines and Criteria are effective upon the date of their adoption and will remain in force for two years, at which time all reinvestment zones and tax phase-in contracts created pursuant to its provisions will be reviewed by the City of San Antonio to determine whether the goals have been achieved. Based on that review, the Guidelines and Criteria will be modified, renewed, or eliminated.
6. This policy is mutually exclusive of existing Industrial District Contracts and owners of real property in areas deserving of special attention as agreed by the affected jurisdiction.

APPENDIX EIGHT

Tax Phase-In Terms by Area

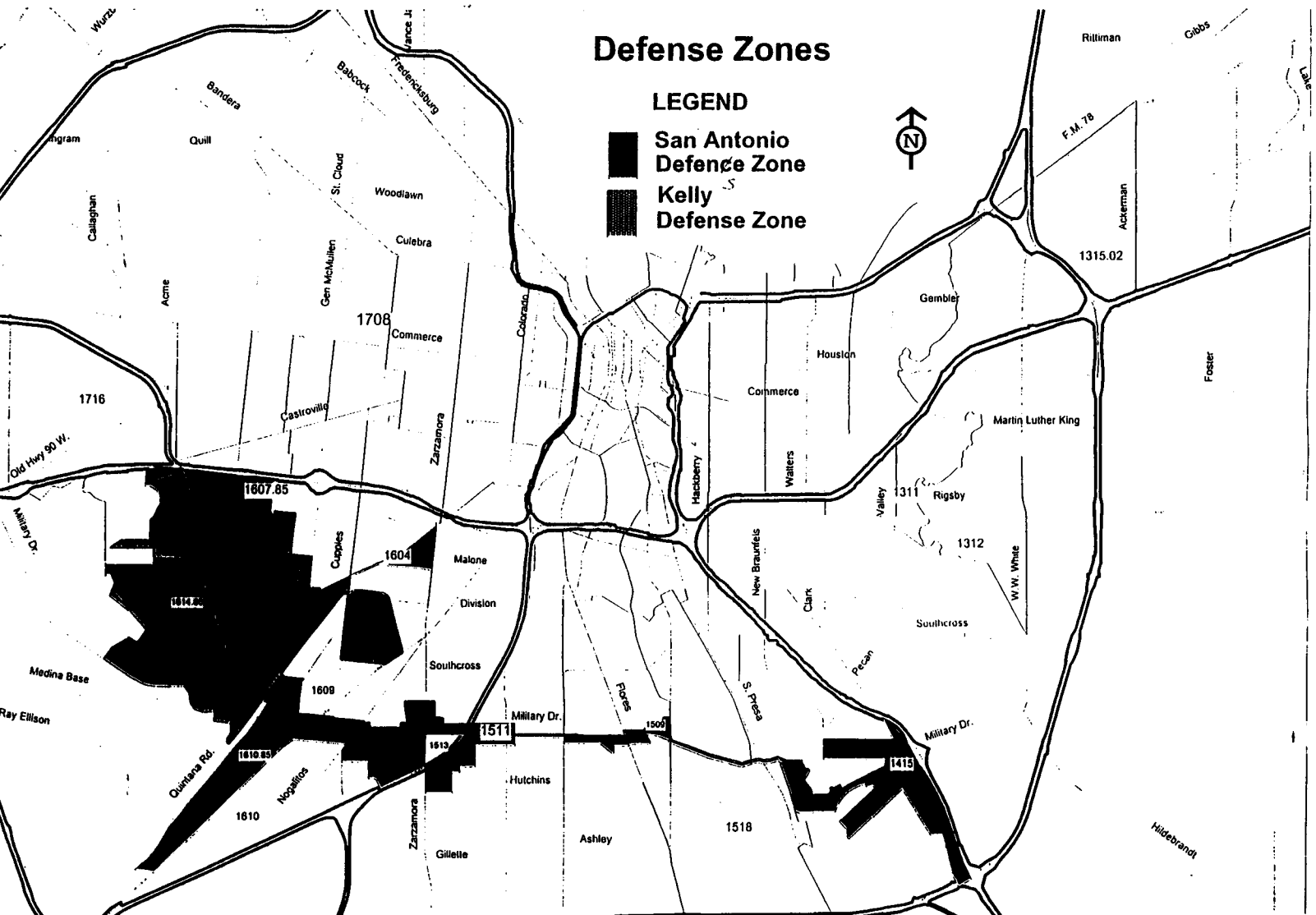


APPENDIX NINE
MAP OF ENTERPRISE ZONES/DEFENSE ZONES

Defense Zones

LEGEND

- San Antonio Defence Zone
- Kelly Defense Zone



APPLICATION FOR TAX PHASE-IN

This application is relative to City of San Antonio taxes. This application will become part of the City's tax phase-in agreement and knowingly providing false representation will be grounds for the City to void their agreement. All applicants must return a completed application with a non-refundable check or money order in the proper amount (see bottom of page 4 of this application for Application Fee Schedule) and made payable to the City of San Antonio. Mail to: City of San Antonio, Economic Development Department, P.O. Box 839966, San Antonio, Texas 78283-3966.

APPLICANT INFORMATION

COMPANY NAME

ADDRESS

TELEPHONE

CURRENT NUMBER OF EMPLOYEES _____ (Full-time)

_____ (Part-time)

ANNUAL PAYROLL FOR EXISTING EMPLOYEES _____

ESTIMATED ANNUAL PAYROLL FOR NEW JOBS TO BE CREATED _____

ANNUAL SALES _____ SIC CODE # _____

CONTACT PERSON

TITLE

MAILING ADDRESS

PHONE NUMBER

FAX #

PROJECT INFORMATION

STREET ADDRESS

SCHOOL DISTRICT

LEGAL DESCRIPTION

TAX ACCOUNT NUMBERS
OF EXISTING REAL PROPERTY _____

TAX ACCOUNT NUMBERS
OF EXISTING PERSONAL PROPERTY _____

Type of Project: Please Check One.

() Expansion of Existing Facility

() New Facility Construction

Type of Facility: Please Check Those That Apply.

() Manufacturing/Assembly

() Regional Distribution

() Research

() Regional Tourist Entertainment

() Aviation

() Downtown Housing

() Communications

() High Technology

() Corporate Level Headquarters

() Information/Business Services

Construction Estimate:

Start Date _____

Completion Date _____

Contract Amount _____

Construction Jobs _____

Permanent Job Creation:

Current Employment (if any) _____

At opening: _____ 19____

At 1 year: _____ 19____

At end of phase-
in term: _____ 20____

Valuation:

Appraised Value of Land: \$ _____
(excluding acquisition costs)

Appraised Value of Existing
Real Property Improvements: \$ _____

Appraised Value of Existing
Personal Property:

\$ _____

*Estimated Value of Proposed
Real Property Improvements:

\$ _____

Estimated Value of Inventory:

\$ _____

Estimated Value of Furniture,
Fixtures and Equipment:
(Personal Property):

\$ _____

*Please state the method used to determine the estimated value of proposed improvements (i.e. appraisal of plans and specs, etc.).

Has the Applicant Company recently been cited or currently under investigation for any violations of Federal, State, and/or City laws, codes, or ordinances? () no () yes

If yes, please provide detailed information on the nature and status of the violation(s) on a separate sheet of paper.

Is any interest in the project presently held by a member of the San Antonio City Council, Zoning Commission, Planning Commission, Economic Development Department or any other City employee?

() no () yes

Is any interest in the project presently held by a member of the Alamo Community College District or any district employee? () no () yes

Is any interest in the project presently held by a member of the school district's board of trustees or other district officer or employee? () no () yes

Is any interest in the project presently held by a member of Bexar County Commissioner's Court or other county officer or employee? () no () yes

PROJECT ATTACHMENTS

1. Attach a description of the Applicant Company, including a brief history, corporate structure, and annual financial statement or annual report.
2. Describe the proposed use of the facility including the product or service to be provided.
3. Attach a statement fully explaining the project, describe existing site and improvements, describe all proposed improvements and provide a list of improvements for which phase-in is requested.
4. Attach field notes, property description, and a map showing location of existing and proposed improvements.
5. Attach a plan which outlines how the Applicant Company proposed to utilize qualified labor and businesses from the San Antonio community. Also, outline how the Applicant Company proposes to employ at least 25% of new jobs created with individuals who are economically disadvantaged. (Please contact the City's Economic Development Department if assistance is needed in the preparation of this plan.)

6. Attach a list of new jobs to be created by job class with associated wage and salary ranges. Also, provide an average wage for hourly jobs, an average salary for management jobs, and an average hourly and salary wage.
7. Attach a list of benefits provided to employees. Indicate if employees' dependents have access to the company's health plan.
8. Attach a list describing the type of incentive and/or assistance you will be requesting from other City departments and/or utility companies.
9. Describe any goodwill benefits your company will provide to the community. Also, outline how the Applicant Company proposes to participate in the San Antonio Education Partnership Program or a like program when recruiting for their workforce.
10. Applicant Company must complete and sign the attached Ethics Ordinance Required Disclosures Form.

Provide the name and title of the person authorized to sign the tax phase-in agreement.

Name _____ Title _____

I hereby certify that the above information is, to the best of my knowledge, true and correct. I also certify that I have read the City of San Antonio Guidelines and Criteria for Tax Phase-In and Reinvestment Zones and am familiar with the provisions contained therein.

Signed _____ Title _____

Date _____

APPLICATION FEE SCHEDULE

<u>Business Size*</u>	<u>Fee</u>	<u>Check One</u>
Micro (0 - 19 employees)	\$0	_____
Small (20 - 99 employees)	\$500	_____
Medium (100 - 499 employees)	\$1,000	_____
Large (500+ employees)	\$1,500	_____